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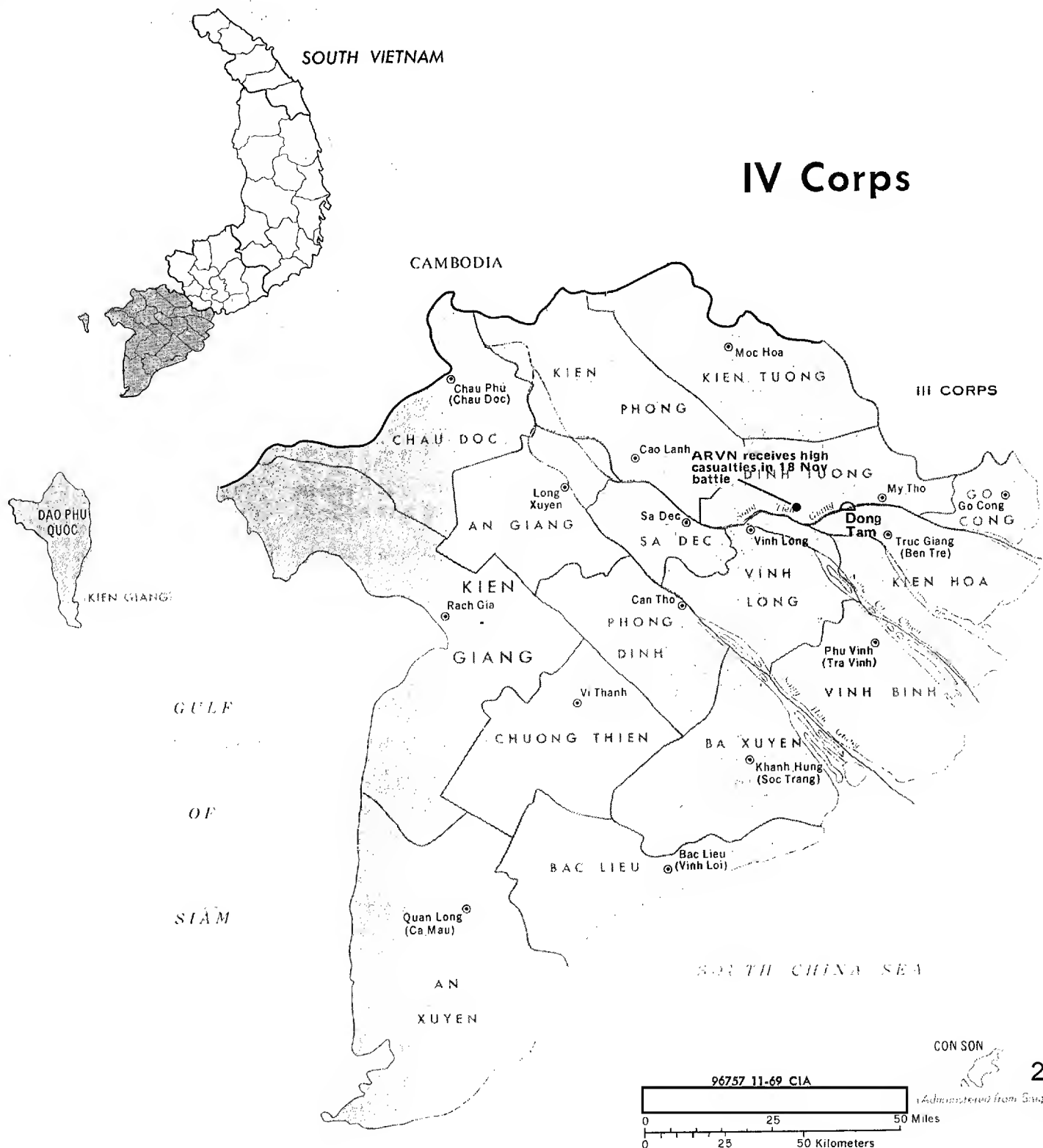
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South Vietnam: The enemy's intent to test the effectiveness of South Vietnam's fighting forces was again apparent in a sharp battle on 18 November in the delta province of Dinh Tuong.

Elements of three Viet Cong main-force battalions, strengthened by North Vietnamese replacements, killed 68 South Vietnamese while losing only 30 of their own men. Air support, which was delayed by bad weather, proved ineffective because the two US advisers to the South Vietnamese forces had been killed by the time it arrived on the scene. This is the second action in recent weeks in which South Vietnamese casualties have been quite heavy. On 6 November, an attack on a South Vietnamese naval headquarters in Kien Giang cost the defenders 23 killed and 98 wounded.

The battle on 18 November took place less than ten miles west of the former US 9th Infantry Division headquarters at Dong Tam, which was recently turned over to the South Vietnamese.

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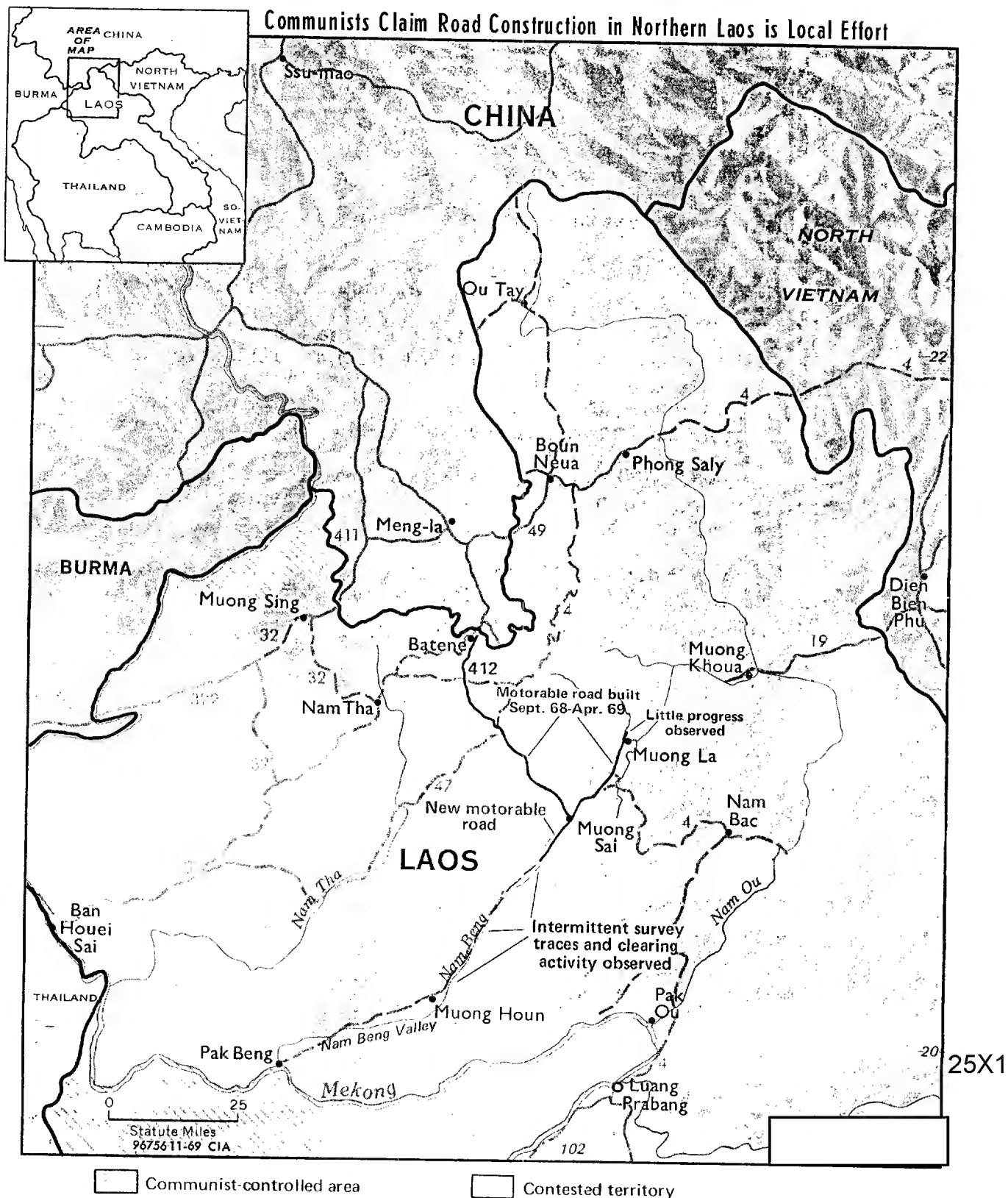
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Laos: The Communists are presenting their road construction in the northwest as a Pathet Lao program.

Peking's chargé in Vientiane, when asked []
[] to explain the meaning of Chinese road building activities, denied any knowledge of Chinese involvement. The Pathet Lao spokesman in Vientiane recently told a local reporter that the road building south of Muong Sai was entirely a Lao Communist effort.

There is only tentative evidence to back up this claim. A local villager, who claims to have worked on the road, has told a government patrol that the work force, although under the direction of Chinese engineers, is composed of North Vietnamese and locally conscripted Lao. The North Vietnamese were reported to be operating heavy equipment while the villagers were clearing brush. If confirmed, this would be the first known instance of local villagers working on the current round of Chinese road building in Laos.

The Chinese involvement in north Laos has caused a great deal of concern within the Lao Government. Prime Minister Souvanna might, however, elect to accept the road building in the Nam Beng Valley as Lao rather than Chinese activity in order to head off a diplomatic clash with China.

The construction has gone forward at a good pace this year. According to a Lao aerial observer, construction crews had completed some 11 miles of motorable road southwest of Muong Sai by 18 November. Aerial photography shows that intermittent survey traces and clearing activity have now reached Muong Houn, some 50 miles south of Muong Sai. The

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Communists could have a rough motorable road to Pak Beng within three or four months if they continue their present pace. Judging from the lack of progress on the other branch of the road, being built northeast of Muong Sai, it would appear that the current effort toward Pak Beng has a higher priority.]

(Map)



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Japan - Communist China: The Sato leadership plans to re-examine its policy toward China after resolving Okinawan reversion, but does not contemplate any shift in policy.

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[REDACTED] Sato, who is supported by Foreign Minister Aichi, reportedly believes that a "two China" policy is the most realistic course for Japan, with any expansion of contacts limited to unofficial trade and cultural exchanges.

Although the top level of the Foreign Ministry reportedly supports this position, many in the lower ranks in the ministry favor a more flexible approach. The view of these officials is supported in varying degrees by all of the opposition parties, primarily because of their desire to capitalize on the sentiment among many Japanese for a "rapprochement" with Peking.

The elements backing maintenance of the "status quo" undoubtedly will prevail as long as the US maintains its present policy toward China and Peking holds to its uncompromising attitude toward Tokyo. Over the short term, the government does not want to complicate its handling of the sensitive US-Japan mutual security issue next year by introducing any controversial new policy initiatives. Furthermore, Japan's rapidly growing investment in and trade with Taiwan also works against any de-emphasis of ties with Taipei. The ruling conservatives are also well aware of the strategic importance of having Japan's southern flank protected by a friendly non-Communist government on Taiwan.

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Yugoslavia - Communist China: The two countries have moved to improve relations by agreeing in principle to exchange ambassadors.

The agreement, announced yesterday by a Yugoslav foreign affairs spokesman, ends an 11-year interval during which relations were bitter because of the opposite approaches the two parties took in building Communism. Both embassies have been largely inactive and have been headed by chargés.

Sino-Yugoslav relations have been improving, particularly in the economic sphere, since the invasion of Czechoslovakia last year. Peking, faced with mounting Soviet political and military pressure, has been giving high priority to improving its diplomatic position within the Communist world. The exchange of ambassadors with Belgrade complements recent Chinese efforts to establish closer relations with independent-minded Communist states such as North Vietnam, North Korea, and Romania.

For the Yugoslavs, the agreement is consistent with their foreign policy principle of forging good ties with all countries without regard to their ideological bent. It also reflects Yugoslavia's continuing neutrality in the Sino-Soviet dispute. Belgrade has no illusions about the severe limitations the ideological gulf between the two countries places on the relationship.

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USSR - West Germany: (The USSR has followed up the Prague declaration on preparations for a European security conference by parallel approaches to the US, the UK, and West Germany.)

(A statement was made to West German Foreign Minister Scheel by Soviet Ambassador Tsarapkin on 17 November, followed two days later by similar declarations to the US and UK. The three statements, which suggest that the proposed conference could be held in Helsinki during the first six months of 1970, convey a sense of urgency on Moscow's part. Moscow claims that the possibilities of the conference have increased because of Western Europe's allegedly better understanding of the East's intentions.)

(The presentations suggest that the USSR has no objection to US and Canadian attendance at the European meeting, but add that holding the conference is contingent on East German participation.)

(Tsarapkin said that Moscow had noted the Brandt government's "constructive spirit" and now hoped that Bonn would follow through with "practical steps." His comments add to the impression that the Soviets are trying to encourage Bonn to be as forthcoming as possible on these "steps.")

(In reply, Scheel again stressed Bonn's long-standing insistence on the need for careful preparation of a possible security conference. Bonn hopes especially for at least some improvement in inter-German relations prior to such a conference and regards progress in this area as a prerequisite to a successful conference.)

(Scheel said that Bonn would study the Soviet position carefully and give its response during the German-Soviet talks it has proposed for next month on the renunciation of force. Tsarapkin, however, did not mention the German proposal.)

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Eastern Europe: East European interest in obtaining Iranian crude oil has revived long-standing proposals to extend a pipeline under construction in Yugoslavia through Hungary to Czechoslovakia.

Such a pipeline would be needed to transport Middle East oil to land-locked Czechoslovakia and Hungary. According to the Hungarian press, an agreement in principle has been reached between Hungary and Yugoslavia for construction of the pipeline. Final arrangements are expected to be reached in 1970. Czechoslovakia, meanwhile, has been discussing possible assistance in building the more difficult parts of the pipeline. Poland reportedly is also interested in the project.

Czechoslovak and Hungarian agreements to import Iranian crude oil probably will not be implemented until a suitable method of delivery is found. Even with the pipeline, the venture will be costly unless the East Europeans acquire large tankers to make the haul around Africa. The participants may be hoping, however, that the Suez Canal will be reopened by the time the pipeline is completed in 1974. Use of the nearly completed Israeli pipeline is unlikely for political reasons.

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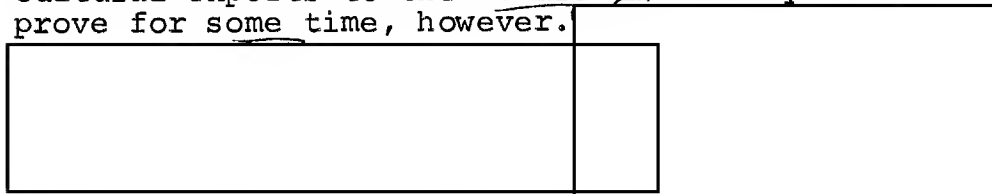
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European Communities: (The Commission has proposed a far-reaching approach to the problem of agricultural surpluses that has plagued the Common Agricultural Policy.)

(The Commission suggests a radical change in the wheat intervention system and other measures that would in effect substantially reduce price supports for wheat, sugar, butter, and nonfat dry milk. The money which would have gone to support prices in these areas would be used to help finance some of the structural reforms of European agriculture recommended in the December 1968 Mansholt Plan.)

(The burden of the changes would be heaviest on West Germany, and opposition can be expected from various farmers' groups there. The French Government will probably react favorably to the Commission's general approach, but opposition can also be expected from certain groups of French farmers. Debate on the proposal is scheduled to begin at the EC Council meeting next week.)

(If the Commission's suggestions win Council approval, competition between the EC and other major agricultural producers in third country markets may be reduced in the long run. Opportunities for the US and others to increase significantly agricultural exports to the EC are not likely to improve for some time, however.)



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Chile: Government moves to forestall renewed defiance by military malcontents have not stopped rumors that a coup is imminent.)

The armed forces and police in Santiago and some other areas were placed on alert Wednesday, and a state of emergency was declared in the capital. Both the National Security Council and the Army General Staff met in emergency session. These actions followed reports that some armed forces supporters of rebellious General Roberto Viaux intend to refuse their pay this week because they are convinced the promised pay raise will be inadequate.)

Efforts to appease the military since last month's revolt have been bungled and have actually increased tensions. Rumors of a coup attempt are rife, and the Marxist press is printing provocative stories that are contributing to the charged atmosphere.)

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Brazil: Radical priests probably will continue to support groups opposing the government, despite the arrest of several clergymen.

Security forces continue to round up Catholic clergymen charged with collaborating with extreme leftist terrorist organizations, such as that led by the late Carlos Marighella. Some Dominican priests have admitted that they were deeply involved with the Marighella group. Attempts by the national and international Catholic hierarchy to contact the arrested clergymen have met a hostile response from the government. One security officer insists they must face trial like any Brazilian accused of subversive activities. One archbishop has excommunicated a police chief whom he accused of torturing the mother superior of a convent allegedly used as a terrorist refuge.

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a growing number of priests are reaching the conclusion that the only way to assist the poor, illiterate, and oppressed majority is through the use of force.

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Somali Democratic Republic: [Signs of potential opposition to the new government have emerged.]

[The Supreme Revolutionary Council has decided to transfer out of the country four high-ranking army and police officers who are suspected of opposing the government.]

[redacted] The former deputy commandant of the army and the former chief of staff of the police--neither of whom is on the council--are to be appointed ambassadors. In addition, two army field-grade officers are to be given diplomatic assignment abroad.

[This action] [redacted] has, [redacted] provoked serious concern among other high-ranking officers who fear they may be forced out of the army or transferred from the country.

[redacted] Their antagonism is based on tribal and regional loyalties, and may also be motivated by personal dislike of General Siad, the council president.

[There is no indication that this group is now a cohesive one, but it could become a focus of opposition in the army if further discontent with the council develops.]

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Zambia: Personal initiatives by President Kaunda have at least temporarily subdued the more unruly elements that threaten the country's political stability.

Kaunda assumed direct control of Zambia's political system after a meeting of the ruling United National Independence Party in August degenerated into a contest for political power among tribal factions. The maneuvering threatened to split the party and led to the resignation of party vice president Kapwepwe a few days later.

Kaunda, who is popularly accepted as a national leader above tribalism and factionalism, began to direct party affairs and to campaign against unruly political behavior. He made positions within the party's policy-making body appointive rather than elective so as to reduce jockeying for power among its members. In mid-September, he formed a committee to control party appointments and to exercise broad disciplinary powers. He also has issued more explicit instructions on party responsibilities.

Giving teeth to these measures, the party has begun to punish offenders of its rules. Perhaps more significantly, for the first time the police are arresting members of youth groups and party officials who break the law, and the courts are convicting and levying stiff penalties on law-breakers.

Political and racial tensions remain strong, however, and further infighting and unruly behavior seem inevitable. Kaunda will have to continue to exercise strong control and curb his tendency in the past to vacillate if renewed political turmoil is to be avoided.

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Czechoslovakia: The number of Czechoslovaks who have fled their country since the Soviet invasion has reached impressive totals. An exact figure, however, can not be determined. More than 65,000 refugees are presently interned in "asylum areas" in the West, and many of the nearly 20,000 Czechoslovak "tourists" in Yugoslavia eventually will seek refugee status in Western countries. In addition, thousands of Czechoslovaks have already processed through refugee centers and are establishing permanent residence abroad. A recent increase in the number leaving the country, especially to West Germany, doubtless is a response to the increasingly retrogressive domestic policies being implemented by the Husak regime.

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Uruguay: Urban terrorism continues in Montevideo despite recent successful police operations. Thus far this month, the Tupamaros, a Marxist-Leninist terrorist group, have robbed a bank of \$60,000 and have had two firefights with police. Two policemen and one terrorist were killed. Over the years the Tupamaros have tried to cultivate public sympathy by staging well-planned operations that avoided indiscriminate violence. The violence this month suggests, however, that their capability to mount such operations has diminished, but that they are still determined to keep their revolutionary image intact.

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